

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration
Washington 25, D. C.

† SUGGESTED CAPITAL CREDITS RECORDS †

Many REA cooperatives that have adopted the capital credits plan and a number of those considering its adoption have requested information regarding the record keeping and accounting involved in setting up individual patron's capital credits. The Uniform System of Accounts prescribed for REA-financed borrowers outlines the accounting procedure for capital credits. The attached suggested record forms and explanation implement this procedure and represent simplified standard methods for computing capital credits, recording them to patrons' accounts and recording retirement of capital credits. These attachments are:

1. Record A, a work sheet for determining allocation of capital credits.
2. Record B, an individual patron's record of capital credits and retirements.
3. Step by step procedure for using Records A and B.

These records are suggested forms and may require some modification to meet the needs of your particular cooperative. Copies of these records should not, of course, be submitted to REA.

All questions of an accounting nature on this subject should be referred to the Finance Division.

January 15, 1948

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ALLOCATION OF CAPITAL CREDITS

PERIOD FROM _____ TO _____ (STEP 1)

CAPITAL CREDITS TO BE ALLOCATED \$ (Step 2)

TOTAL BILLINGS (ALL CONSUMERS) \$ (Step 3)

RATE FOR ALLOCATION (Step,6) %

Page _____ of _____

RECORD A

WORK SHEET FOR DETERMINING CAPITAL CREDITS AND RETIREMENTS.

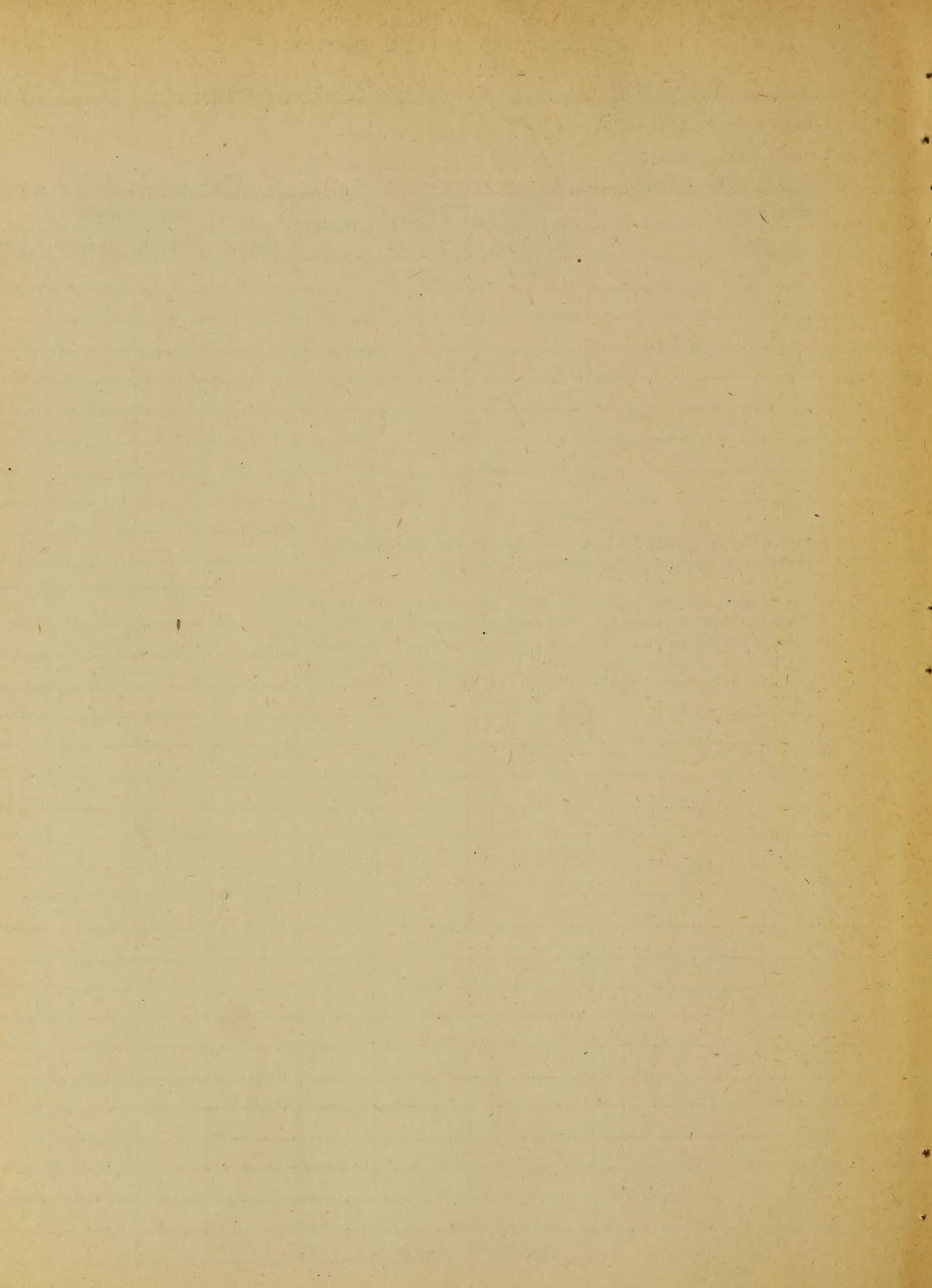
Provision to be made for permanent binding.

NOTE: It is suggested that a columnar pad be used to establish the data outlined in record "A". The "RETIREMENTS" portion of this record may not be necessary for a considerable time. Therefore it will be at the borrowers' option to include this portion when Record "A" is established.

TOTAL

(Step 5)

(Step 8)



Individual Patron's record of Capital Credits and Retirements.

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Size 5- x 8", printed on both sides.

Visible File or loose Leaf Ledger.

SUGGESTED PROCEDURE FOR CAPITAL CREDITS RECORDS

The suggested step-by-step procedure for handling Records A and B in the cooperative's office is as follows:

FOR ALLOCATION OF CAPITAL CREDITS

<u>Step</u>	<u>Record</u>	<u>Description</u>
1	A	Fill in the period for which the allocation is being made by entering the beginning and ending dates.
2	A	Enter the amount recorded in Account 201.2, Patronage Capital Assignable, for the period, plus any unallocated balance from prior periods (See Step 8), in the space after the caption "Capital Credits to be Allocated."
3	A	Enter the total amount of billings to be used as the basis for allocation in the space at the top of the record after the caption "Total Billings." Total credit balance for the year in Accounts 600 through 608 should be entered here.
4	A	List the consumers' account numbers and names in the first and second columns respectively, and in the third column, "Total Consumers' Billings," enter the amount billed for each consumer during the period, credited to Accounts 600 through 608.
5	A	Total the "Total Consumers' Billings" column. This should agree with the total billings for the period credited to Accounts 600 through 608, and with total entered after the caption "Total Billings" (Step 3).
6	A	Compute the "Rate for Allocation" to be used in setting up the capital credits for the period by dividing the amount of "Capital Credits to be Allocated" by the amount of "Total Billings." Enter this rate as a percentage in the space after the caption "Rate for Allocation."

StepRecordDescription

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A

Determine the amount of capital credit for each consumer by multiplying the amount in the "Total Consumers' Billings" column by the "Rate for Allocation" (Step 6). The result should be entered as "Amount of Capital Credit."

8

A

Run a tape on the "Amount of Capital Credit" column and check the tape against individual amounts. The total of this tape should closely approximate the amount recorded in "Capital Credits to be Allocated" (Step 2). If decimals have been dropped in computing the "Rate for Allocation" there will be a difference between the total capital credits allocated to individual consumers and the amount in Account 201.2. Should there be a substantial difference, all computations should be rechecked. A difference caused by dropping decimals should be retained in Account 201.2 to be included in the following year's allocation.

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B

Prepare card for each consumer listed on Record A. His name, address, account number, and any other necessary information should be shown.

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B

Post the year and amount of capital credits to the "Capital Credits" columns from Record A.

Note: When the postings have been made to the individual cards (Record B), an entry should be made on the books transferring the total of the "Amount of Capital Credits" column (Record A) from Account 201.2, Patronage Capital Assignable, to Account 201.1, Patrons' Capital Credits.

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B

Enter in "Capital Credits - Total" column the amount of total capital credits to date.

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A

File Record A in safe-keeping file for future reference. Maintain file on yearly basis.

<u>Step</u>	<u>Record</u>	<u>Description</u>
13	A	If a deficit occurs in any year, it should be recorded in Account 273.1, Operating Margins, and Record A should not be prepared.
14	B	When all postings have been made to the individual patron's record, a tape should be run to verify the total with the amount in Account 201.1
15	B	<u>RETIREMENTS</u>
	(a)	When a general retirement of capital credits is made, it should be on a revolving basis, paying the first years set up on the records in the order shown on Record B. To protect the financial position of the co-op, retirements should not be made that will reduce the capital of the co-op below 40% of its total assets. This 40% figure is in the recommended capital credits by-law amendment.
	(b)	If appropriate action has been taken to retire the capital credits of a particular patron in advance of a general retirement of capital credits, the amount paid the patron is recorded as a debit to Account 152, Acquired Capital Credits. A notation should be made on the Individual Patron's record of Capital Credits and Retirements, indicating that the account has been settled in full or in part as the case may be. The individual records of any patrons whose capital credits have been retired under these circumstances may be segregated in a separate group for the purpose of reconciling the balances represented by Account 152, Acquired Capital Credits. The balance indicated on these records should still be controlled by Account 201.1, Patrons' Capital Credits.
		Note: When a settlement is made with an estate, the amount paid to retire the capital credits of the patron should be determined by the Board and should take into consideration the deficits as well as capital credits.

StepRecordDescription

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B

The amount entered in the "Capital Balance" column of this record represents the cumulative balance to the credit of the patron, and is posted each time an entry covering allocation of capital credits, or retirements of capital credits, is recorded. Total credits less total retirements should equal the last balance shown in this column, and the total of these balances for all patrons should equal the ledger account balance for Account 201.1, Patrons' Capital Credits.

